

MINUTES
SPECIAL MEETING OF THE MIDLAND CITY HOUSING COMMISSION
THURSDAY, AUGUST 6, 2015, 3:00 P.M.
333 W. ELLSWORTH STREET
CITY COUNCIL CHAMBERS ROOM
MIDLAND, MICHIGAN

1. Roll Call

Chairman Loose called the meeting to order at 3:02 p.m.

PRESENT: Burgess, Garchow, Loose, and Mortensen

ABSENT: Wright

OTHERS: Dave Keenan, Assistant City Manager; Brad Kaye, Assistant City Manager for Development
PRESENT: Services; Grant Murschel, Community Development Planner; Kim Samborn, Manager of Senior Housing; Lori Jung, Assistant Manager of Senior Housing; Andy Flory, Planning Department Intern; and seventeen (17) others.

2. Public Comments

There were no public comments unrelated to items on the agenda.

3. New Business

a.) PILOT Proposal – Bracken Woods

Keenan gave the staff presentation for the Payment in Lieu of Taxes proposal for Bracken Woods, located at 5301 Dublin Avenue. The proposal is by Lockwood Development. The current PILOT on the property was initiated in 1995 and has 15 years remaining. The proposal would create a new PILOT ordinance for a time of 37 years at a PILOT fee of 6.5%. The numbers transmitted to the Commission ahead of the meeting were for a fee of 6% but the developer has indicated that the business model will work at 6.5% and has revised the proposal as such. Existing owner is wanting to sell and divest of their property holdings in Michigan. New owner, Lockwood, wants to expand their own business with the purchase. As part of the purchase, over \$3 million in renovations and improvements will be made to the property. Keenan reviewed the existing nineteen (19) PILOT properties within the city which date back to the first approval in 1979. Municipalities are authorized to permit PILOT's by state legislation to allow for the creation of affordable housing. He explained that the proposal must be evaluated under the three (3) Michigan State Housing Development Authority (MSHDA) criteria and the city PILOT criteria as developed in 2003 & 2010.

Murschel outlined the staff conclusion that additional affordable housing is needed within the city by reviewing the U.S. Department of Housing and Urban Development's (HUD) Comprehensive Housing Affordable Strategy (CHAS) data. As the proposal is directed toward 30% Area Median Income (AMI) and 50% AMI households, this is where staff focused on determining whether a need exists in these categories. He indicated that over 2,300 households within the city, with incomes of 50% AMI or less, are overburdened by housing costs. Overburdened, as defined by HUD, is when a household is expending more than 30% of their total income on housing. Staff has concluded that the proposal will meet a need which is not being met by the existing inventory of rental housing. Staff has also concluded that since the proposal will utilize existing units, the city's housing market will not be negatively impacted.

Mark Lockwood spoke as the developer behind the proposal. He explained that he has worked diligently with city staff to revise the proposal to see that it fits the demands of the city and also the business model needed to

ensure the development is sustainable. He explained that the property is currently not being well maintained and that his group has worked with MSHDA to determine what improvements need and can be made. Lockwood Development has agreed to MSHDA that the property will be well maintained and be affordable for the long term; a 50-year affordability agreement is part of the proposal with MSHDA. Lockwood Development is based in Michigan. Continued management of the facility will be done within the state, which is different than the current owners.

Garchow asked about the type of improvements which will be made. Lockwood explained that it will include new roofs, parking lot improvements, new HVAC and hot water heaters where necessary, new flooring, and any appliances which need replacement. The property will also have a capital improvement fund established, designed to adjust for inflation, to ensure that future maintenance is continued. Garchow also asked why the development is experiencing vacancies currently. Lockwood explained that his group is currently managing the facility, which it recently began doing. The Lockwood management team is trying to implement best practices in the rental industry. The largest issue with maintaining full occupancy is the current condition and a history of hands-off management by the current owner which managed it formerly.

Mortensen questioned if Lockwood Development had taken over properties of the current owner in the past. Lockwood explained that the group has not taken over any properties from this specific owner but the company has worked on similar projects in the past.

Burgess asked how MSHDA tax credits applied in the business analysis. Lockwood explained that the proposal includes about 10 years of credits. The Lockwood team is working with an investor, Great Lakes Capital Fund, to sell the credits. The revenue of the sale will be used to pay for the initial rehabilitation.

Chairman Loose opened the floor for any public comments on the proposal.

AnnaMaria Morgan, President of the Midland Area Real Estate Investors Association (MAREIA) and residing at 807 Fournie Street in the city, explained her and MAREIA's opposition to the proposal. Her handout was distributed to members of the Commission. She encouraged the Commission to follow the PILOT review procedures. MAREIA is in support of affordable housing but she questioned why only 2 units out of 104 in total are being designated to 30% AMI. If there is such a need for affordable housing in the city, then why are there not any more units designated to the lower income category. The proposal is not an extension of the current proposal but rather is an entirely new PILOT proposal which would continue for 37 years at the expense of other city property tax payers. She also questioned why the city allowed the current owner of Bracken Woods to have the development's condition deteriorate in such a way. Any PILOT is a disadvantage to local landlords which are not receiving tax relief. The playing field should be level for all rental property owners. MAREIA is recommending that the proposal be rejected. However, if the city is determined to grant the PILOT, MAREIA urges that the city honor the original PILOT agreement time frame and only allow the new PILOT for 15 years. In addition, MAREIA recommends that the annual fee be increased to 11%.

Susan Weitz, a member of MAREIA, an owner of rental housing, and residing at 5409 Sunset Drive in the city, explained her opposition to the proposal. She believes that the proposal does not adequately meet the need of those most in need: households of 30% AMI and large families. The proposal also does not provide any support services to prospective tenants. She received Community Development Block Grant funds in a prior year to provide financial classes to low-income residents. In her experience, the management of PILOT developments, including Bracken Woods, did not receive her invitation well to offer the courses to their tenants. She also demanded that the city provide the historical rental inspection records of Bracken Woods. Weitz gave her letter of opposition to Murschel; he indicated that it would be made part of the public record.

Starla Jordan, a member of MAREIA, owner of rentals, and residing at 1858 E. Baker Road, Hope, Michigan, voiced her opposition to the proposal. She explained that she rents out her units to tenants which are 30%

AMI, some of which have lived in her units for 10+ years. She questioned if the proposal is adequately meeting the greatest need within the 30% AMI category. She feels that the proposal is not benefiting those in need the most by only offering two units to the 30% AMI category out of 104 units.

Ron Parmele, a member of the Midland County Continuum of Care, read a letter of support by the Continuum of Care. Murschel indicated that the letter would be made part of the public record on the proposal. The Continuum, a collaborative group made up of 28 different community-based agencies working to provide housing-related services, is supportive of Bracken Woods and encourages the extension of the PILOT. The complex works to meet the need for affordable housing to low-income Midland County residents. The Continuum also encourages that all subsidized housing options include more 30% or 40% AMI units.

Floyd Andrick, a member of MAREIA, owner of many rental units and residing at 4928 Artcrest Drive in the city, expressed his opposition of the proposal. He indicated that he provides rentals at \$350-475 per month. He has an excellent rental certification record. He has properly maintained each of his units while making good profits. He questions why Bracken Woods is in its current state of poor condition and how it could have deteriorated so badly over 20 years with PILOT support. He underscored the idea that benevolent actions must be followed by proper oversight.

Roger Mikusek, Executive Director of Affordable Housing Alliance and residing at 2713 Schade West Drive in the city, explained that he has been within the community for many years. He is in support of the renovation of Bracken Woods. People with low incomes need affordable housing that is in good condition. He questioned what the alternative would be for the complex if the PILOT proposal is not accepted. The Affordable Housing Alliance, which operates many affordable housing complexes in the city and Midland County, some of which are PILOT properties, has a current waitlist of over 200 people. He stressed that this is another example of the need for affordable housing within the city.

Sid Hansen, a member of MAREIA, owner of one rental unit within the city at Wingate Village Condominiums, and residing at 4446 Anderson Drive in Beaverton, Michigan, expressed that the criteria developed in 2010 for reviewing the PILOT proposals is working fairly well. He submitted a comparison chart of PILOT developments to his regular Midland Rental Unit. Murschel indicated that the submitted chart, enclosed spreadsheets, and suggested revisions to the criteria would be included in the public record on the proposal. Hansen further highlighted that criterion #5 of 2010 in the first set referring to the number of units in 30% or 50% AMI should be revised to specify that a certain percentage of units be dedicated to each category. He also explained that criterion #3 in the final set referring to an annual report from the Housing Commission to City Council on PILOT compliance should be instituted.

Glenda Ritter, residing at 5112 Parklane Drive in Harrison, Michigan, indicated that she is a former manager of the Bracken Woods property. She believes that the number one cause for the deterioration is the location of the development. She explained that the complex is built within wetlands and the buildings and especially the parking lot suffer because of poor drainage. Rehabilitation is needed. She would love to see the families continue to live within the facility and it improved.

Chairman Loose thanked the members of the public for giving their comments. He invited discussion on the proposal by members of the Commission. Kaye clarified that the review needed by the Commission, as determined by City Council, is to determine whether the proposal has met the city's PILOT review criteria.

Garchow explained that he has a real issue with the small number of units being designated to the 30% AMI category. He wondered if the PILOT fee was lower if the development could sustain having additional units be designated to 30% AMI. Keenan explained that the guidelines for PILOT establish a fee range of 4-11% and that it would be up to the developer to decide whether or not a lower fee would be feasible to allow for additional 30% AMI units. Lockwood explained that he can look into the feasibility of additional 30% AMI units. If the fee burden is lower, Lockwood explained that it would be possible to allow for additional 30%

AMI units but he would need to the numbers through the model to determine exactly how many additional units.

Mortensen also voiced her concern with the limited number of 30% AMI dedicated units. She would like to see the developer try and add additional 30% AMI units. She appreciated the public comments received and indicated that she would be in favor of reviewing the PILOT proposal criteria to ensure that future PILOT development proposal include higher numbers of 30% AMI units. She further explained that those who spoke are already taking actions to meet the needs of residents with limited incomes.

Garchow indicated that the 2010 recommendations included monitoring of PILOT developments as part of the rental certifications. Going forward, there is a way to make sure there is adequate monitoring.

Burgess explained that he would like to speak from the perspective of a member of the community who works at Chemical Bank within the division which oversees loans to low- and moderate-income individuals. He works to ensure that Chemical Bank does its very best to make loans available to this portion of the population. From the bank perspective, the playing field is not level as other lenders, including credit unions, do not have to abide by the same rules as standard banks. He underscored the idea that Lockwood Development is providing units to low income residents at a much larger scale than what is provided by individual landlords.

Garchow agreed with Burgess's last point in that the current rental market is not adequately meeting the need in the community for affordable housing for those with 50% or less AMI. He does not believe that private, for-profit landlords can adequately meet the need on its own.

Mortensen commented that the role of the Commission is to make sure that there is housing for all income levels. She explained that doing this can be challenging. Through her previous work at Shelterhouse and serving on the Midland County Continuum of Care she has learned that finding affordable housing within the city is challenging. She agreed that the unfairness is troubling but emphasized that there are standards in place to reach a compromise.

Loose commented that many rentals within the city have been demolished around the U.S. Business 10 one-way pairs near downtown. Because of this loss in supply, the market has tightened. This has negatively impacted low-income households living in the city.

Mortensen and Garchow expressed that they would like to see additional units be designated to the 30% AMI category. Kaye explained that the Commission must determine whether or not the proposal meets the city's criteria but that the Commission could recommend, if they choose, that additional 30% AMI units be provided with a decrease in the PILOT fee.

Burgess questioned if any support services would be provided by the Lockwood management team. Lockwood explained that the project would have a construction contingency which could potentially allow for the construction of a computer room. Lockwood could not commit to providing anything at that moment but could ensure that it would be looked into. Burgess suggested that the team could look into partnering with a local nonprofit which specializes in these types of services already. Lockwood agreed with Burgess's suggestion.

It was moved by Garchow and supported by Burgess to recommend to City Council that the Housing Commission has reviewed the Bracken Woods PILOT proposal and found that it meets the review criteria of 2003 and 2010. The motion passed unanimously.

It was further moved by Mortensen and supported by Garchow to recommend the following to City Council related to the Bracken Woods PILOT proposal:

- 1) Lockwood Development investigate whether or not additional units can be designated to the 30% AMI category.
- 2) The 2010 PILOT review policy be reviewed to include a required percentage of 30% AMI designated units.
- 3) The 2010 PILOT review policy be reviewed and compliance reporting requirements be implemented.
- 4) The 2010 PILOT review policy be reviewed to include the requirement that applicants behind PILOT proposals review the feasibility of providing support services to tenants.

The motion passed unanimously.

Garchow indicated that Lockwood Development should check out some of the nonprofits in town which provide housing support services. Mortensen thanked those who spoke as part of the public comment portion. The Commission thanked the MAREIA group for their constructive suggestions.

b.) New Application for Senior Housing

Murschel explained the proposal for a new rental application that will be used at both Washington Woods and Riverside Place. Jung further explained that the application was in need of revision to better determine more needed information from applicants. The proposed application has been reviewed and approved by the City Attorney as to form and content.

Mortensen explained her appreciation that the application was reviewed and modernized.

It was moved by Mortensen and supported by Garchow to approve the proposed Rental Application for Senior Housing as written. The motion passed unanimously.

c.) Sale of 206 Maple Street

Murschel explained that an abutting property owner has indicated his interest in purchasing this city-owned property. The property was acquired by the City in the 1970s from the state. Maple Street was never fully developed and as such the subject property is not serviced with a street or public utilities. Staff has found that the property does not have a feasible future potential for a public benefit. In addition, the property does not appear to be feasible for a future Building Trades home given the lack of infrastructure.

Garchow and Loose both indicated that the interested property owner could make better use of the property.

It was moved by Mortensen and supported by Burgess to recommend the sale of 306 Maple Street having found that it serves no feasible future housing need for the city. The motion passed unanimously.

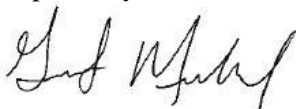
4. Future Meeting Date

- a) September 14, 2015 – Next regular meeting

5. Adjournment

The meeting was adjourned by Chairman Loose at 4:55 p.m.

Respectfully submitted,



Grant Murschel, Community Development Planner

MINUTES ARE NOT FINAL UNTIL APPROVED BY THE MIDLAND CITY HOUSING COMMISSION.